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FM AMEMBASSY DAMASCUS  
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INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 1437  
RUEHAK/AMEMBASSY ANKARA PRIORITY 5587  
RUEHRL/AMEMBASSY BERLIN PRIORITY 0131  
RUEHKU/AMEMBASSY KUWAIT PRIORITY 1338  
RUEHLO/AMEMBASSY LONDON PRIORITY 0424  
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0189  
RUEHFR/AMEMBASSY PARIS PRIORITY 0436  
RHEHNSC/NSC WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L DAMASCUS 000438

SIPDIS

STATE FOR NEA/ELA; NSC FOR ABRAMS/GAVITO; TREASURY FOR  
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TAGS: [EAIR](#) [ETRD](#) [PGOV](#) [PTER](#) [SY](#)  
SUBJECT: THE IMPACT OF U.S. SANCTIONS ON CIVIL AVIATION IN  
SYRIA

Classified By: CDA Todd Holmstrom for reasons 1.4(b,d)

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Summary  
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¶1. (C) Syrian Arab Airlines' ability to sustain operations has degraded in recent years and is estimated to be currently operating just six of at least 15 aircraft in its fleet. The SARG amended its aviation laws in 2005 to allow private airlines to enter the market, but as is often the case in Syria, Bashar's cousin (and Specially Designated National) Rami Makhlouf was best positioned to profit from this economic "reform." The weaker and less capable Syrian Air has become, the more aggressive Rami's efforts have been to profit from its misfortune. Currently, there are five "start-up" airlines that have already applied for and/or received licenses to operate in Syria -- three of which likely have backing from Makhlouf. Rami has also engineered an agreement for one of his airlines, Cham Pearl, to eventually assume Syrian Air's most profitable routes. Allowing a predictable flow of spare parts to Syrian Air that can be reasonably viewed as related to "safety of flight" -- coupled with a more aggressive prosecution of Rami's nefarious efforts to obtain aircraft for his nascent airlines -- would hinder the regime's effort to plunder the national patrimony for personal gain. End summary.

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Sanctions Atrophy Syrian Air  
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¶2. (C) Syrian Arab Airlines (Syrian Air) has proven to be the regime asset most vulnerable to unilateral U.S. sanctions, and where the effect of sanctions is most obvious to the Syrian public. Due to its inability to obtain spare parts or purchase new aircraft, Syrian Air's operational fleet has been attrited from 15 known aircraft (6-Airbus A320, 6-Boeing 727, 2-Boeing 747, 1-Tupolev 134) to just six (5-Airbus A320 and one Boeing 747, scheduled to require a heavy D maintenance overhaul in October 2008). Russia has repeatedly offered to sell Syrian Air new aircraft at a substantial discount, but Director General Hazem al-Khadra of Syria's Civil Aviation Authority told local reporters that the Russian planes do not have the U.S.-made Airborne Collision

Avoidance System (ACAS), which he asserted is an International Civil Aviation Organization (ICAO) requirement for all commercial aircraft. Despite offering multiple tenders to lease newer aircraft, Syrian Air has so far been unsuccessful in finding a satisfactory vendor that is willing to risk violating U.S. sanctions.

13. (C) On June 11, a frequent business traveler on Syrian Air's twice-daily shuttle flight between Aleppo and Damascus recounted an anecdote to Embassy staff that is illustrative of the airline's condition. After being called to board the flight, passengers were separated into two groups of 20 and two groups of 16. Then, each group was shuttled separately to four propeller-driven planes, likely of Russian origin and possibly operated by the Syrian Air Force. The passenger said that the aircraft he boarded had no separate storage compartment for luggage, so passengers were asked to stack their luggage in the rear of the plane where the air crew secured it with a cargo net. According to the contact, the four small aircraft took off one after another and flew "in formation" all the way to Damascus, where they landed in succession. Instead of the usual one-hour flight aboard a 72-passenger Tu-134 jet (similar to a DC-9), the businessman said the flight took nearly two hours, flew at a much lower altitude, and was deafeningly loud in the cabin. He remarked that in the future, he would drive to Damascus rather than taking the same flight again.

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But Create Opportunity for Rami Makhoulf  
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14. (C) At least partially due to the deleterious effect U.S. sanctions were having on its ability to obtain spare parts or purchase new airframes, the SARG amended its aviation laws in 2005 to allow private airlines to enter the market. However, in keeping with many of Bashar's economic "reforms," his cousin (and Specially Designated National) Rami Makhoulf positioned himself to be the first to profit from this opening in the aviation sector. Currently, there are five "start-up" airlines that have already applied for and/or received licenses to operate in Syria -- three of which likely have backing from Makhoulf. Rami's Cham Holding Company (40 percent) has joined with Syrian Air (25 percent) and the Kuwaiti company Al Aqilah (35 percent) to create the first real private airline -- and not just charter service -- to be licensed in Syria, dubbed the Cham Pearl. The Kuwaiti company's subsidiary, Aqiq Aviation Holding, is apparently exploring ways to circumvent U.S. sanctions and provide commercial aircraft, possibly from the Canadian company Bombardier. Once operational, Cham Pearl intends to take over Syrian Air's most profitable routes of three hours or less -- 75 percent of Syrian Air's business -- from Damascus to major regional airports, leaving Syrian Air with the less profitable long-haul routes.

15. (C) Additionally, Rami is rumored to be linked to recently-licensed Julie Airlines. In February 2008, CEO of Julie Air Bassel Fitrawi boasted to the Syrian News Agency (SANA) that the Julie fleet would consist of two unspecified Airbus aircraft, two Boeing 737, one Boeing 747 and one cargo aircraft, and would offer service to Iraq, Italy, Malaysia, Turkey and Canada. Since then, Post has heard reports that Julie management is staffed almost entirely with dual Syrian-Romanian citizens, and is attempting to procure aircraft through a Romanian company. Not surprisingly, the Syrian Ambassador to Romania is Walid Othman -- father-in-law of Rami Makhoulf. Another small airline, Air Taxi, was also licensed in late 2007. According to the Oxford Business Group, Air Taxi is entirely owned by Rami Makhoulf and will provide domestic passenger service as well as regional cargo flights.

16. (C) In addition to Rami's ventures, other Syrian businessmen have also entered the civil aviation market. Although some industry professionals doubt he is the true owner, Syrian Issam Shammout is listed as the owner of Cham Wings, a charter airline currently operating one MD80 or MD83

that it reportedly leases from the Egyptian transport company AMC. Cham Wings has so far provided intermittent service to Baghdad and Basra, Iraq, as well as occasional flights to Sharm el-Sheikh, Egypt. Local press reports that Cham Wings intends to purchase a European-made Fokker 100 jet in the near future. In November 2007, Syrian businessmen Al Harith Al Assad and Mayyar Arnous received a license from the SARG to establish Syrian Eagle Airlines (Al Nisr), although the company has yet to announce an anticipated launch date.

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Comment  
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17. (C) Denying Syrian Air licenses for items like test kits for Traffic Collision Avoidance Systems has its liabilities. First, Rami has already shown his ability to profit from Syrian Air's decline. Secondly, Syrian Air's difficulty in obtaining spare parts has received regular news coverage here and would be the platform the SARG would use to blame any air tragedy on U.S. sanctions, citing Syrian Air's record of no previous accidents to date. We also note that Syrian Air's decline already strengthens critics who argue that sanctions are hurting the innocent while playing into the hands of regime insiders like Rami Makhlouf. Rami's February designation under E.O. 13460 was arguably the most effective U.S. action vis-a-vis Syria in the past three years, and he remains a lightning rod for public outrage over regime corruption. Whatever convoluted deal Rami's private airlines put together to avoid U.S. sanctions should be carefully scrutinized. Any violations of U.S. law that are

aggressively prosecuted would be applauded by both the Syrian public and by Rami's more legitimate competitors.  
HOLMSTROM